



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

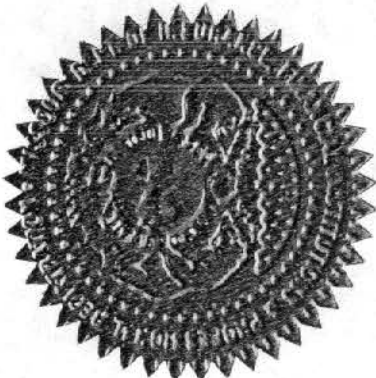
RE: Examination Report of Cox Health Systems Insurance Company as of December 31,
2007

ORDER

After full consideration and review of the report of the financial examination of Cox Health Systems Insurance Company for the period ended December 31, 2007, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Linda Bohrer, Acting Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER Cox Health Systems Insurance Company, to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this October 17, 2008.



Linda Bohrer

Linda Bohrer, Acting Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
FINANCIAL EXAMINATION

Cox Health Systems Insurance Company

As of:

DECEMBER 31, 2007

FILED
OCT 27 2008
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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September 17, 2008
Springfield, Missouri

Honorable Alfred W. Gross, Commissioner
Bureau of Insurance
Virginia State Corporate Commission
Chairman, Financial Condition (E) Committee, NAIC

Honorable Merle D. Scheiber, Director
Division of Insurance
State of South Dakota
Secretary, Midwestern Zone, NAIC

Honorable Linda Bohrer, Acting Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Dear Sirs and Madam:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

Cox Health Systems Insurance Company

hereinafter referred to as such or as the "Company". The Company's office is located at 3200 South National, Building B, Springfield, Missouri 65801-5750, telephone number (417) 269-2990. Examination fieldwork began on March 24, 2008, and concluded on September 17, 2008.

SCOPE OF EXAMINATION

Period Covered

The last comprehensive financial examination of the Company was performed as of December 31, 2004, by examiners from the state of Missouri.

The current financial examination of the Company covers the period from January 1, 2005, through December 31, 2007, and was conducted by examiners from the state of Missouri. This examination also included material transactions or events occurring subsequent to December 31, 2007.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) and statutes of the state of Missouri prevailed.

Workpapers of the Company's independent auditor, BKD, LLP, were made available to the examiners for review. Standard examination procedures were modified as deemed appropriate under the circumstances.

Prior Examination Comments

1. Comment

Many issues and concerns regarding affiliated companies and intercompany accounts were noted during this examination. Most of these issues and concerns were also documented in previous financial examinations. The Company does not have the internal policies and procedures necessary to properly account for and administrate their intercompany agreements.

The Company should develop and file with the Missouri Department of Insurance a comprehensive Plan of Compliance. This written plan should include (but is not limited to) the following:

- a complete list of all currently active intercompany agreements
- method of tracking all agreement submission and renewal dates
- procedures to ensure all agreement submissions and renewals are filed within statutory filing time limits
- procedures to ensure all statutory requirements for intercompany agreements and related intercompany activity are adhered to on an on-going basis
- assignment of specific intercompany agreement administrative responsibilities to specific company personnel to guarantee the company's commitment to resolving the recurring discrepancies and issues

Company Response

The Company will complete a list of all currently active intercompany agreements, better organize and develop a method of tracking these agreements including the submission and renewal dates and designate specific company personnel to be responsible for this. The Company will submit these documents to the Department.

Current Examination Findings

The Company had filed all intercompany agreements with the Department and provided copies during the examination.

2. Comment

Caremark, the TPA for prescription benefits, still does not have a "Certificate of Authority" as required by Missouri Statute 376.1092, (Certificate of authority, required, application, contents, fee). In addition, Caremark performs as a "Utilization Review Agent," and is required by Section 374.503 RSMo, (Certificate required for utilization review agents, exceptions) to be certified to perform this function.

The Company must obtain proof of compliance from Caremark or obtain the services from a compliant TPA.

Company Response

The Company's relationship with Caremark will be terminated December 31, 2006.

Current Examination Findings

The Company no longer has an agreement with Caremark. The current pharmacy benefits management firm is licensed as a third party administrator in Missouri.

3. Comment

Milliman, the Department's consulting actuary, found that the Company does not include a margin for adverse development in its calculation of Claims unpaid as required per Section 5.1 of the Actuarial Standard of Practice #5.

Although no adjustment was recommended, the Company should ensure a margin for adverse development is included in future filings.

The Company did not perform an analysis at year end to determine if a Premium Deficiency Reserve (PDR) was necessary. The Company is required to test for the need of a PDR, which is usually done by a gross premium valuation, as stated in the Actuarial Standards of Practice and also in the NAIC Health Reserves Guidance Manual. The Guidance Manual also specifies that documentation is necessary whether or not a PDR is established.

Upon Request the Company's consulting actuary provided a retrospective analysis based on actual 2005 experience and demonstrated that no PDR was required.

The Actuarial Opinion did not include a line for Aggregate Reserve for A&H contracts, which is where the PDR would be reported. The Opinion should include this line even if the reserve is not required. This is consistent with MO Regulation 20 CSR 200-1

Company Response

The Company will analyze the need for recording a margin for adverse development in its calculation of Claims unpaid as required per Section 5.1 of the Actuarial Standard of Practice #5. The Company will analyze the need for recording a Premium Deficiency Reserve.

Current Examination Findings

The consulting actuary hired by the Department for the current examination determined that the claims unpaid reserve was adequately established.

The consulting actuary determined that the Company had not conducted an appropriate study to determine if an aggregate health policy reserve was needed.

HISTORY

General

Cox Health Systems Insurance Company was incorporated on March 31, 1994, and commenced business on April 1, 1995, under Chapter 376 RSMo (Life and Accident Insurance). The Company was formed for the purpose of selling life and health insurance. As of December 31, 2007, the Company has written group and individual health insurance only.

Capital Stock

Cox Health Systems HMO, Inc. owns 100% of the issued and outstanding common stock of the Company. As of December 31, 2007, the Company was authorized to issue 800,000 shares of common stock with a par value of \$1 per share. There were 800,000 shares issued and outstanding for a balance of \$800,000 in the capital account.

Dividends

The Company has neither declared nor paid any dividends since inception.

Management

The management of the Company is vested in a board of directors that are elected by the sole shareholder. The board of directors at December 31, 2007, consisted of nine members duly elected at an annual meeting of the stockholders as authorized by the Company's bylaw which state that the board of directors shall consist of not more than ten directors and not fewer than six directors. The directors duly elected and serving as of December 31, 2007, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Mark Costley, M.D. Monett, MO	Physician Cox Health Systems
Dona K. Elkins Nixa, MO	President EDCO
Jerry Jared Rogersville, MO	President and CEO CRW Properties, Inc.

<u>Name</u>	<u>Principal Occupation</u>
Chris W. Nattinger Springfield, MO	Chairman Skyline Investment Company
Kenneth E. Meyer Springfield, MO	President-Owner Meyer Communications
Robert E. Roundtree Springfield, MO	President Roundtree Capital Management
Bob Simmons Branson, MO	President Table Rock Asphalt Construction Company
Joseph Turner Springfield, MO	President Great Southern Bank
Bob Bezanson Springfield, MO	President and CEO Cox Health Systems

The offices elected and serving as of December 31, 2007, were as follows:

<u>Name</u>	<u>Office</u>
Jeffrey Bond	President
Matthew Aug	Chief Financial Officer
Jacob Salinas	Chief Marketing Officer
Dona Elkins	Secretary
Joseph Turner	Treasurer

Conflict of Interest

Conflict of interest disclosure statements are executed annually by all directors and officers of the Company. A review of the statements for the years under examination indicated no material conflicts that had not previously been disclosed to the board of directors.

Corporate Records

A review was made of the articles of incorporation and bylaws of the Company. The Company reported no amendments to the articles of incorporation or bylaws.

The minutes of the meetings of the stockholder and board of directors were reviewed for the period under examination and provided sufficient documentation of major corporate transactions.

Acquisitions, Mergers, and Major Corporate Events

There were no major corporate events during the examination period.

Surplus Debentures

Prior to this examination the Company had issued surplus notes totaling \$2,900,000. During this examination period the Company issued surplus notes in the amount of \$500,000 in June 2005. The notes are payable to the Company's ultimate parent, Cox Health Systems. Interest totaling \$1,406,953 had accrued as of December 31, 2007.

According to Missouri law, principal or interest cannot be paid on the notes without the prior approval of the Department. No request for payment was made by the Company during the period under examination.

AFFILIATED COMPANIES

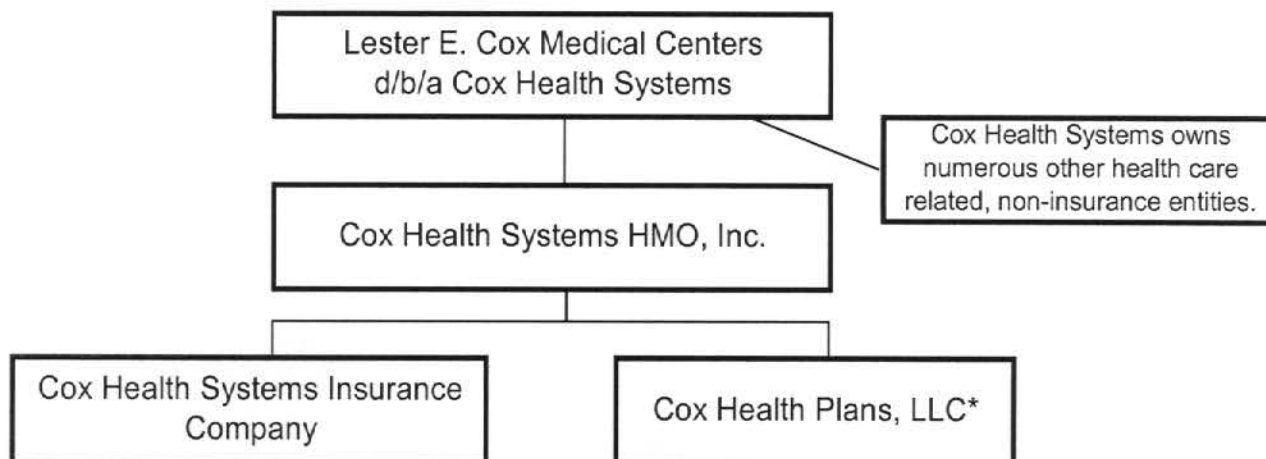
Holding Company, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system as defined in Section 382.010 RSMo, (Definitions). Annual registration statements were filed as required by Section 382.100 RSMo, (Registration).

Lester E. Cox Medical Centers, doing business as Cox Health Systems, is the ultimate controlling entity and is a community-owned, not-for-profit health care organization. The organization consists of various entities, all of which are related to the health care industry including hospitals, a nursing home, home care companies, physician services, mental health services, and the insurance companies. Insurance Holding Company System Registration Statements were filed by Cox Health Systems, for the Company and its affiliates, with the state of Missouri for the period under examination.

Organizational Chart

The following organizational chart depicts the ownership structure of the Company as of December 31, 2007. The chart shows only the Missouri domiciled insurers, their subsidiaries and the parent company. A complete organizational chart is included in the Company's annual statement. All subsidiaries are wholly-owned and non-insurance entities are identified with an asterisk.



All companies are wholly-owned by the immediate parent.

Intercompany Transactions

The Company is a party to several intercompany agreements, which were reviewed and summarized below. These agreements were all filed with the Missouri Department of Insurance, Financial Institutions and Professional Registration.

1. Conversion Policy Agreement

This agreement was signed on August 10, 1998. The original agreement was between Cox-Freeman HealthPlans, Inc. (now Cox Health Systems HMO, Inc.) and Cox Health Systems Insurance Company. The agreement allows the insurance company to write a conversion policy that would be available to the HMO's members. The HMO pays 12 cents per member per month for this service. The agreement will remain in-force until terminated by either party after providing 30 days prior notice.

2. Dual Option Product Agreement

This agreement originated on October 1, 2002. This agreement between Cox Health Systems HMO, Inc. and Cox Health Systems Insurance Company allows the companies to offer both a traditional HMO product and a Point of Service product to employer groups of 26 or more employees. At least quarterly, the respective business generated by each group will be evaluated and the gains or losses will be split on a 50-50 basis between the two companies. The agreement can be terminated with 30 days written notice by either party.

3. Income Tax Apportionment Agreement

This agreement begins with the period ending December 31, 2004. This agreement between Cox Health Systems HMO, Inc. and Cox Health Systems Insurance Company serves as the basis for filing consolidated federal and state tax returns. The respective tax liability is determined as if each entity were a stand alone company. The alternative minimum tax is determined by the proportion of tax preference items contributed by each entity. Settlements are to be made quarterly. The agreement will remain in effect for

successive one year periods unless either party provides 90 days written notice of termination.

4. Management Agreement

This agreement originated on January 1, 2000 and is between Cox Health Systems Insurance Company, Inc. and Cox HealthPlans, LLC. Cox HealthPlans, LLC provides all operational services for the Company including, premium processing, claims management, provider network administration and other administrative functions. Cox HealthPlans, LLC receives 8.9% of the Company's premium revenue each month as compensation for this arrangement. The agreement can be terminated by either party with three months prior notice.

5. Point of Service Rider

This agreement originated on January 1, 2007 and is between Cox Health Systems HMO, Inc. and Cox Health Systems Insurance Company. It replaces the Underwriting and Retrospective Settlement Agreement that had been in place between the two parties. The Point of Service Rider allows the HMO to sell a policy with a point of service feature. This coverage is underwritten by the Company. The HMO pays 1.5% of the premium associated with this coverage. Either party can terminate the agreement with 30 days notice.

6. Provider Services Agreement

The Company has one provider service agreement with an affiliated party, Cox Health Systems. Compensation is governed by detailed schedules depending on the particular health care facility and medical procedures involved. The agreement became effective on January 1, 2007 and was amended effective May 1, 2007. This agreement can be renewed each year.

7. Administrative Services Agreement

This agreement was entered on January 1, 2006 and is between Cox Health Systems Insurance Company and Cox Health Systems. This agreement calls for the cost of administrative services provided by the Company to be paid by Cox Health Systems. The initial fee was \$2,580,000 and was to be paid in monthly installments.

8. Indemnity Agreement

This agreement became effective June 18, 1999 and is between Cox Health Systems and Cox Health Systems Insurance Company. The agreement states that if the insurance company becomes unable to fulfill its obligations to policyholders, Cox Health Systems will indemnify the Company and stand good for those obligations.

9. Additional Discounts Agreement

This agreement was entered on January 1, 2006 and is between Cox Health Systems and Cox Health Systems Insurance Company. The agreement calls for Cox Health Systems to provide additional discounts for provider services should the Company's medical loss ratio exceed 86%. The additional discounts can be paid up to 7% of the premium billed by the Company. Payments are to be made monthly and the Company is required to pay back funds if the medical loss ratio falls back below 86% during the year. The agreement

can be canceled by either party provided a 90 day written notice is provided and the termination is approved by the Department.

FIDELITY BOND AND OTHER INSURANCE

The Company is adequately insured through fiduciary liability coverage contained in a policy issued to Cox Health Systems and affiliates. This policy provides coverage with a limit of \$2,000,000 and a deductible of \$5,000.

The Company is also included in various policies issued to the affiliated group and includes protection for general liability, employment practices, errors and omissions and various property damage coverages. Cox Health System self insures for medical malpractice and worker's compensation and has obtained excess of loss reinsurance for these areas. The Company is included in this coverage.

EMPLOYEE BENEFITS AND PENSION PLAN

Cox Health Systems Insurance Company does not have any direct employees. The management agreement between the Company and Cox Health Plans, LLC requires Cox Health Plans, LLC to provide personnel that administer all policies, perform comprehensive administrative, financial and managerial services on behalf of the Company on a fee basis. This management agreement also provides for an additional fee for benefit costs of the personnel involved.

The benefits received by the personnel covered in the above mentioned management agreement include but are not limited to, life, long term disability, medical, vision and dental insurance, a pension plan and savings incentive program.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2007, as reflected below, were deemed sufficient in par and market value to meet the deposit requirement for the State of Missouri in accordance with Section 376.290 RSMo (Deposit and transfer of securities).

<u>Type of Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
US Treasury Note	<u>\$ 814,000</u>	<u>\$ 816,055</u>	<u>\$ 811,475</u>

Deposits with Other States

None.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed in the state of Missouri under RSMo Chapter 376 (Life and Accident Insurance). The Company is not licensed in any other states. The Company's business is currently limited to individual and group accident and health insurance. Although the Company has authority to write life insurance business, it has no plans to do so at this time.

The Company's service area is concentrated in southwestern Missouri. Business is produced mostly through outside brokers and through salaried employees of the ultimate parent company, Cox Health Systems. The Company had 20,788 insureds as of December 31, 2007.

The Company's primary products are group preferred provider organization (PPO) plans. These plans allow groups a choice of benefit and premium level to be offered to the group's members. The Company also has a preferred provider plan for individuals with a children only option. The plans allow members to use providers of their choice or to use providers from an established network that has a contractual arrangement with the Company. The PPO members are responsible for deductibles and coinsurance. Co-payments are greater if out-of-network providers are selected.

The Company also provides an indemnity rider in conjunction with the Point of Service (POS) product written by Cox Health Systems HMO, Inc. The POS members of the HMO can use the HMO's network of providers through a primary care physician or use any out-of-network provider of their choice. The Company is at risk for any losses incurred when the HMO member goes out-of-network, except for emergencies.

An affiliate, Cox HealthPlan LLC (CHP) provides utilization review and other managed care functions to the Company. CHP is registered as a utilization review organization and is a licensed Third Party Administrator.

Treatment of Policyholders

The Department has a market conduct staff, which performs a review of these issues and generates a separate market conduct report. A market conduct examination was completed in the fall of 2007.

REINSURANCE

General

The Company's reinsurance and premium activity during the period under examination are as follows:

	<u>Premiums:</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Direct Business		\$54,834,679	\$55,816,001	\$50,337,005
Reinsurance Assumed		0	0	0
Reinsurance Ceded:		0	0	0
Affiliates		0	0	0
Non-Affiliates		(419,648)	(691,644)	(560,248)
Net Premiums Written		<u>\$54,415,031</u>	<u>\$55,124,358</u>	<u>\$49,776,757</u>

Assumed

The Company does not assume any business.

Ceded

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event an assuming reinsurer fails to perform its obligations under the reinsurance agreement. Cox Health Systems Insurance Company enters into reinsurance contracts in an effort to protect against large and/or catastrophic claims.

Effective January 1, 2007, the Company entered into an excess of loss reinsurance agreement with HCC Life Insurance Company of North America. This agreement provides coverage for the Company's out-of-network, point of service members. The reinsurer assumes 90% of losses in excess of \$250,000 up to a maximum limit of \$2,000,000.

Effective January 1, 2007, the Company entered into a medical excess reinsurance agreement with HCC Life Insurance Company of North America. This agreement provides coverage for the Company's fully insured group and individual policies. The reinsurer assumes 90% of losses in excess of \$250,000 up to a maximum limit of \$2,000,000.

ACCOUNTS AND RECORDS

Independent Auditor

The Company's financial statements were audited by the firm of BKD, LLP for the period covered by this examination.

Company Actuary

Michael L. Round, ASA, MAAA, of the firm Rational Systems, Inc. provided the actuarial opinions for the Company for the period under examination.

Consulting Actuary

Karen Elsom, FSA, MAAA, of Lewis & Ellis, Inc., evaluated the adequacy of the Company's loss related reserves. She concluded that the Company needs to establish and maintain a loss adjustment expense reserve and determine the aggregate health policy reserve (the primary component being a premium deficiency reserve) using an appropriate methodology.

Information Systems Examination Specialist

The Department's Information Systems Examination Specialist, Andrew Balas, evaluated data processing controls. The Company's controls were determined to be adequate with only minor recommendations.

Loss Reserves

Errors existed in determining and reporting two reserves. First, the Company did not report any loss adjustment expense reserve. Annual statement instructions require that this reserve be established and reported. The Company's actuary should provide an opinion as to the adequacy of the reserve as well.

Second, the Company had not conducted an adequate study to determine if an aggregate health policy reserve was needed. The Company should ensure that appropriate reserving methodologies are used to determine the reserve. The Company's actuary should provide an opinion as to the adequacy of any reserve established.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2007, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

BALANCE SHEET
As of December 31, 2007

		Nonadmitted	Net Admitted
	Assets	Assets	Assets
Bonds	\$8,629,113	\$0	\$8,629,113
Cash	8,632,203	0	8,632,203
Investment income due and accrued	85,472	0	85,472
Uncollected premiums	396,389	0	396,389
Amounts recoverable from reinsurers	68,301	0	68,301
Net deferred tax asset	133,819	94,399	39,420
Health care and other amounts receivable	182,820	0	182,820
Total Assets	<u>\$18,128,117</u>	<u>\$94,399</u>	<u>\$18,033,718</u>
Liabilities			
Claims unpaid			7,979,803
Loss adjustment expense reserves			0
Aggregate health policy reserves			0
Premiums received in advance			1,277,328
General expenses due or accrued			242,356
Amounts due to parent and affiliates			435,599
Total liabilities			<u>9,935,086</u>
Capital and Surplus			
Common capital stock			800,000
Gross paid in and contributed surplus			3,802,217
Surplus notes			4,806,953
Unassigned funds (surplus)			(1,310,536)
Total capital and surplus			<u>8,098,632</u>
Total liabilities, capital and surplus			<u>\$18,033,718</u>

INCOME STATEMENT

For the year ended December 31, 2007

Net premium income	\$54,415,031	
Aggregate write-ins for other health care related revenues	(567,057)	
Total revenues		53,847,974
Hospital/medical benefits	39,103,361	
Outside referrals	537,433	
Prescription drugs	7,328,906	
Subtotal	46,969,700	
Less: Net reinsurance recoveries	422,683	
Total hospital and medical	46,547,017	
Claims adjustment expenses	1,009,215	
General administrative expenses	5,898,060	
Total underwriting deductions		53,454,292
Net underwriting gain or (loss)		393,682
Net investment income earned	738,372	
Net realized capital gains or (losses)	7,783	
Net investment gains or (losses)		746,156
Net income or (loss) before federal income taxes		1,139,838
Federal and foreign income taxes incurred		0
Net income (loss)		<u>\$1,139,838</u>

CAPITAL AND SURPLUS

Capital and surplus December 31, 2006		\$6,762,885
Examination changes	\$0	
Net income or (loss) from Line 32	1,139,838	
Change in net unrealized capital gains (losses)	2,155	
Change in nonadmitted assets	3,623	
Change in surplus notes	258,055	
Dividends to stockholders	0	
Aggregate write-ins for gains or (losses) in surplus	(67,921)	
Net change in capital and surplus		<u>1,335,749</u>
Capital and surplus December 31, 2007		<u>\$8,098,634</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND RECOMMENDATIONS

Loss Reserves

Page 12

The Company needs to ensure that appropriate loss adjustment expense and aggregate health policy reserves are established, based on acceptable methodologies, and reported on an ongoing basis. The Company's actuary should also provide opinions as to the adequacy of these reserves.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and employees of Cox Health Systems Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Karen Elsom of Lewis & Ellis, Inc., and Art Palmer, CFE, Doug Daniels and Andrew Balas, CFE, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination.

VERIFICATION

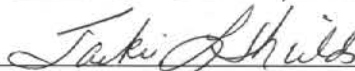
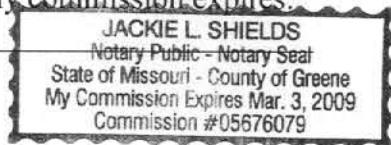
State of Missouri)
) ss
County of St. Louis)

I, Robert P. Jordan, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.



Robert P. Jordan, CFE
Examiner-in-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 28 day of August, 2008
My commission expires:


Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Michael Shadowens, CFE
Audit Manager, St. Louis
Missouri Department of Insurance, Financial
Institutions and Professional Registration



*Cox Health Systems Insurance Company
Cox Health Systems HMO, Inc.*

October 14, 2008

RECEIVED

OCT 14 2008

**INSURANCE SOLVENCY
&
COMPANY REGULATION**

Mr. Frederick Heese
Missouri Department of Insurance
P.O. Box 690
Jefferson City, MO 65102-0690

RE: Company Responses to Examination Reports

Cox Health Systems HMO, Inc (CHMO)

Loss Reserves

Page 16 Item

Company Response: CHMO will analyze the need for recording a loss adjustment expense reserve annually based on SSAP No. 55, Interpretation 02-21 and have an actuary provide an opinion on the reserve. CHMO believes based on the current agreement with Cox HealthPlans LLC to fully administer all aspects of the health plan no additional loss adjustment expense reserve would be necessary. The monthly administration fee paid to Cox HealthPlans LLC is based on a percentage of premiums and is not directly tied to actual expense. Were there to be an unforeseen event, a loss adjustment expense would not be charged back to CHMO from Cox HealthPlans LLC.

CHMO will analyze the need to record a premium deficiency reserve on an annual basis based on the NAIC Health Reserve Guidance Manual and have an actuary provide an opinion on the reserve. The Company's outside actuary completed a premium deficiency reserve calculation for 2007.

Cox Health Systems Insurance Company (CHSIC)

Loss Reserves

Page 15 Item

Company Response: CHSIC will analyze the need for recording a loss adjustment expense reserve annually based on SSAP No. 55, Interpretation 02-21 and have an actuary provide an opinion on the reserve. CHSIC believes based on the current agreement with Cox HealthPlans LLC to fully administer all aspects of the health plan no additional loss adjustment expense reserve would be necessary. The monthly administration fee paid to Cox HealthPlans LLC is based on a percentage of premiums and not tied to actual expense. Were there to be an unforeseen event, a loss adjustment expense would not be charged back to CHSIC from Cox HealthPlans LLC.

CHSIC will analyze the need to record a premium deficiency reserve on an annual basis based on the NAIC Health Reserve Guidance Manual and have an actuary provide an opinion on the reserve. Given the positive operating results no projection was deemed necessary in 2007.

Please include these responses in the report.